DRAFT BUDGET AND SUPPORTING DOCUMENTATION OF MUNICIPALITIES

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PART 1 – DRAFT BUDGET

1.1 MAYOR'S SPEECH

Madam Speaker

Members of EXCO

Chief Whip of the ruling party (ANC)

Fellow councillors

MM and Directors

Ladies and gentlemen

Warm greetings!

Madam Speaker, we present before this house an draft budget amid speculations that municipalities in Mopani are not spending as expected. It must be noted that they based their assumptions on the media reports which concentrated at only the first quarter of our financial year. We are confident that before the end of the municipal financial year, almost all allocated funds would have been utilised. I request council to intensify its oversight role to ensure that projects are implemented in time. We can't afford to have funds returned to the Treasury when our people are in dire need of services.

As council, we need to be cautious about the findings of the Auditor General which led to our municipality receiving a qualified audit opinion for the 2012/2013 financial year. After obtaining an unqualified audit opinion in two consecutive financial years prior 2011/2012, we were hoping for an upward mobility. Let us all join hands to words towards a clean audit opinion

MFMA section 21 (1) state that, the mayor of the municipality must

(a) co-ordinate the processes for preparing the annual budget and for reviewing the Municipality's integrated development plan and budget-related policies to ensure that the tabled budget and any revisions of the integrated development plan and budget-related policies are mutually consistent and credible

(2) When preparing the annual budget, the mayor of a municipality must—

(*a*) take into account the municipality's integrated development plan;

(*b*) take all reasonable steps to ensure that the municipality revises the integrated development plan in terms of section 34 of the Municipal Systems Act, taking into account realistic revenue and expenditure projections for future years;

(*c*) take into account the national budget, the relevant provincial budget, the national government's fiscal and macro-economic policy, the annual Division of Revenue Act and any agreements reached in the Budget Forum;

Discussion

Municipal revenue and cash flows are expected to remain under pressure in the 2014/2015 and as such a conservative approach was adopted when projecting the municipality's expected budget and cash receipts.

The Municipality took into account the headline inflation forecast outlined by MFMA circular 72. The circular advices Municipality to consider the following inflation forecasts:

FISCAL YEAR	2012 Actual	2013 Estimates	2014	2015 Forecast	2016
Real GDP growth	2.5	1.8	2.7	3.2	3.5
CPI Inflation	5.6	5.7	6.2	5.9	5.5

MUNICIPAL REVENUE SOURCES ARE AS FOLLOWS

Description	Budget Year 2014/15	Budget Year+ 1 2015/16	Budget Year +2 2016/17
Income from rates	13 393 944.00	14 117 216.98	14 879 546.69
Income from service	2 655 000.00	2 798 370.00	2 949 481.98
Income from other sources	13 610 951.86	14 347 773.60	15 122 708.06
income from accumulated funds	5 800 000.00		
Grants Allocations	102 363 000.00	122 447 000.00	124 832 000.00
Grant total	**137 822 895.86**	**153 710 360.57**	**157 783 736.73**

Expenditure by types is outlined below:

Description	Budget Year 2014/15	Budget Year+ 1 2015/16	Budget Year +2 2016/17
Employee related costs	42 469 250.87	45 187 282.93	48 079 269.04
Councillors Remunerations	8 522 115.82	9 033 442.77	9 575 449.34
Repairs and maintenance	2 808 317.55	2 974 008.28	2 802 405.24
General expenses	40 124 810.00	41 265 999.79	62 646 513.59
Total	**93 924 494.24**	**98 460 733.77**	**123 103 637.20**
Non cash items			
Depreciation	33 000 000.00	34 947 000.00	54 167 850.00
Bad debts	3 700 000.00	3 918 300.00	6 073 365.00
Total non cash items	**36 700 000.00**	**38 865 300.00**	**60 241 215.00**
Grant total	**130 624 494.24**	**137 326 033.77**	**183 344 852.20**

FUNDING OF PROJECTS

Description	Budget Year 2014/15	Budget Year+ 1 2015/16	Budget Year +2 2016/17
TURKEY 02 ACCESS ROAD	3 500 000.00		
WILLOWS SPORTS FIELD	3 500 000.00	2 000 000.00	
MARULENG INDOOR SPORT CENTRE	4 000 000.00	3 954 000.00	12 000 000.00
HLOHLOKWE ACCESS ROAD PHASE 2	3 354 500.00	2 671 000.00	2 500 000.00
LORRAINE BELLVILE ROAD	250 000.00	2 500 000.00	2 000 000.00
METZ INTERNAL STREETS	3 354 500.00	2 671 000.00	2 500 000.00
BOCHABELO COMMUNITY HALL	1 500 000.00	1 000 000.00	
BUTSWANA COMMUNITY HALL	1 500 000.00	1 000 000.00	
MOSHATE COMMUNITY HALL	1 500 000.00	1 000 000.00	
THE OAKS INTERNAL STREET	250 000.00	2 500 000.00	2 000 000.00
FINALE ACCESS ROAD			400 000.00
BALLOON STREETS			400 000.00
KANANA TO MOSHATE ACCESS ROAD			400 000.00
SOFAYA MAIN ROAD	250 000.00	2 500 000.00	2 000 000.00
SEDAWA ACCESS ROAD	250 000.00	2 500 000.00	2 000 000.00
TURKEY 3 COMMUNITY HALL	1 500 000.00	1 000 000.00	
Total	**24 709 000.00**	**25 296 000.00**	**26 200 000.00**

The attached draft budget for the 2014/2015 financial year is submitted to council for noting to allow the following process to unfold

- public participation , where views from local community and other relevant stakeholders will be considered upon which council must give the mayor the opportunity to respond to the submissions and where necessary revise the budget and table amendments for consideration by council

Thank you

1.2 COUNCIL RESOLUTIONS

On the of 31st of March 2014 Council of Maruleng Local Municipality met in the Council Chambers to consider the draft budget of the municipality for the financial year 2014/15. The Council discussed the budget and the following resolutions were considered and taken in to consideration for public participation.

1. The Council of Maruleng Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and concider:

   1.1. The annual budget of the municipality for the financial year 2014/15 and the multi-year and single-year capital appropriations as set out in the following tables:

      1.1.1. Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 11 on page 23;

      1.1.2. Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 12 on page 23;

      1.1.3. Budgeted Financial Performance (revenue by source and expenditure by type as contained in Table 13 on page 23; and

      1.1.4. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 14 on page 24

Maruleng Local Municipality 2014/15 draft budget and MTREF

   1.2. The financial position, cash flow budget, cash-backed reserve/accumulated surplus, assets management and basic service delivery targets are approved as set out in the following tables:

      1.2.1. Budgeted Financial Position as contained in Table 15 on page 24;

      1.2.2. Budgeted Cash Flows as contained in Table 16 on page 25

      1.2.3. Cash backed reserves and accumulated surplus reconciliation as contained in Table 17 on page 25;

      1.2.4. Asset management as contained in Table 18 on page 26; and

      1.2.5. Basic service delivery measurement as contained in Table 19 on page 27.

2. The Council of Maruleng Local Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) noted and adopts with effect from 1 July 2014:

   2.1. The tariffs for property rates – as set out in Annexure A,

   2.2. The tariffs for the supply of water – as set out in Annexure B

   2.3. The tariffs for sanitation services – as set out in Annexure B

   2.4. The tariffs for solid waste services – as set out in Annexure B

3. The Council of Maruleng Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) noted and adopts with effect from 1 July 2014 the tariffs for other services, as set out in Annexure B .

4. To give proper effect to the municipality's draft budget, the Council of Maruleng Local Municipality noted:

   4.1. That cash backing is implemented through the utilization of a portion of the revenue generated from property rates to ensure that all capital reserves and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations

1.3. EXECUTIVE SUMMARY

The application of sound financial planning and financial management principles are very critical in achieving the Municipality's financial objectives

The following were the challenges experience during the compilation of the 2014/2015 MTREF

- The ongoing difficulties in the national and local economy
- Ageing and poorly maintained water and roads infrastructure
- The need to reprioritise projects and expenditure within the existing limited resource taking into account the current cash flow limitations
- Wage increases for municipal staff and need to fill critical vacancies

The following budget principles and guidelines directly informed the compilation of the 2014/2015 MTREF

- The 2013/14 Adjustments budget priorities and targets, as well as the base line allocations contained in that Adjustments were adopted as the upper limits for the new baselines for the 2014/2015 draft budget

- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;

- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazette as required by the annual Division of Revenue Act;

The following table is a consolidated overview of the proposed 2014/2015 MTREF

Table 1 Consolidated Overview of the 2014/15 MTREF

	Current Year 2013/14		2014/15 Medium Term Revenue & Expenditure Framework		
Description	**Original Budget**	**Adjusted Budget**	**Budget Year 2014/15**	**Budget Year +1 2015/16**	**Budget Year +2 2016/17**
Total Revenue (excluding capital transfers and contributions)	102 400 370	92 355 759	112 513 896	127 633 295	130 682 497
Total Expenditure	90 497 622	112 545 382	130 624 494	137 326 034	183 344 852
Transfers recognised - capital	28 647 000	28 647 000	25 309 000	26 046 000	27 062 000
Surplus/(Deficit) for the year	40 549 749	8 457 377	7 198 402	16 353 261	-25 600 355

- Total operating revenue has grown by 21.8 per cent or R20,1 million for the 2014/15 financial year when compared to the 2013/14 Adjustments Budget. For the two outer years, operational revenue will increased by 15 m and 3 M respectively. Total operating expenditure for the 2014/15 financial year has been appropriated at R130.6 million and translates into a budgeted surplus of 7.1 million. When compared to the 2013/14 Adjustments Budget, operational expenditure has grown by 16 per cent in the 2014/15

draft budget and by 5 and 33 per cent for each of the respective outer years of the MTREF. The operating surplus for the two outer years steadily increases to R16 million and also decrease to R25 million. The reason for decrease was made of the non cash item that was considered when preparing the budget. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

- The capital budget of R25.3 million for 2014/15 has decreased by 11 per cent when compared to the 2013/14 Adjustment Budget. The capital programme decreased by R3.3 million in the 2014/15 financial year and increased by R1.0 million in 2016/17.

1.4. OPERATING REVENUE FRAMEWORK

For Maruleng municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality’s revenue strategy is built around the following key components:

- National Treasury’s guidelines and macroeconomic policy;
- Growth in the Municipality and continued economic development
- Efficient revenue management, which aims to ensure a 95 per cent annual collection rate for property rates and other key service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality’s Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);
- The municipality’s Indigent Policy and rendering of free basic services; and

The following table is a summary of the 2013/14 MTREF (classified by main revenue source)

Table 2 Summary of revenue classified by main revenue source

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	**Audited Outcome**	**Audited Outcome**	**Audited Outcome**	**Original Budget**	**Adjusted Budget**	**Full Year Forecast**	**Budget Year 2014/15**	**Budget Year +1 2015/16**	**Budget Year +2 2016/17**
Revenue By Source									
Property rates	9 399	10 342	11 306	12 612	12 612	12 612	13 394	14 117	14 880
Service charges - refuse revenue	1 966	2 261	2 548	2 321	2 500	2 500	2 655	2 798	2 949
Rental of facilities and equipment	351	320	256	312	288	288	365	384	405
Interest earned - external investments	335	753	1 054	841	1 250	1 250	1 328	1 399	1 475
Interest earned - outstanding debtors	234	217	193	113	113	113	120	126	133
Fines		143	234	210	210	210	220	233	246
Agency services	3 564		3 744	4 518	4 191	4 191	3 716	3 887	4 090
Transfers recognised - operational	41 599	52 984	64 242	67 282	68 288	68 288	77 054	96 401	97 770
Other revenue	643	4 255	1 389	12 118	828	828	11 459	5 964	6 286
Gains on disposal of PPE	3 766	354		2 075	2 075	2 075	2 204	2 323	2 448
Total Revenue (excluding capital transfers and contributions)	**61 858**	**71 629**	**84 965**	**102 400**	**92 356**	**92 356**	**112 514**	**127 633**	**130 682**

Table 3 Percentage growth in revenue by main revenue source

Description	2014/15 Medium Term Revenue & Expenditure Framework							
	Adjusted Budget	%	Budget Year 2014/15	%	Budget Year +1 2015/16	%	Budget Year +2 2016/17	%
Revenue By Source								
Property rates	12 612 000	14%	13 393 944	12%	14 117 217	11%	14 879 547	11%
Service charges - refuse revenue	2 500 000	3%	2 655 000	2%	2 798 370	2%	2 949 482	2%
Rental of facilities and equipment	288 300	0%	364 657	0%	384 348	0%	405 103	0%
Interest earned - external investments	1 250 000	1%	1 327 500	1%	1 399 185	1%	1 474 741	1%
Interest earned - outstanding debtors	112 877	0%	119 876	0%	126 349	0%	133 172	0%
Fines	210 200	0%	220 000	0%	232 980	0%	245 561	0%
Agency services	4 190 900	5%	3 716 467	3%	3 886 886	3%	4 090 367	3%
Transfers recognised - operational	68 288 042	74%	77 054 000	68%	96 401 000	76%	97 770 000	75%
Other revenue	828 440	1%	11 458 803	10%	5 964 312	5%	6 286 455	5%
Gains on disposal of PPE	2 075 000	2%	2 203 650	2%	2 322 647	2%	2 448 070	2%
Total Revenue (excluding capital transfers and contributions)	**92 355 759**	**100%**	**112 513 896**	**100%**	**127 633 295**	**100%**	**130 682 497**	**100%**

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.
Revenue generated from rates and services charges forms only 14 percentage of the revenue basket for the Municipality because the Municipality depends mainly on grants.

In the 2014/15 financial year, revenue from rates and services charges totaled R16 million or 14 per cent as calculated to the total revenue. This increases to R16.9 million and R17.8 million in the respective financial years of the MTREF. The above table excludes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality

Apart from Transfers recognized – operational which is about 68 percentage of the total revenue mix, property rates is the largest own revenue source in 2014/15 financial period. The second largest own sources is, other revenue which consists of various items such as town planning fees, building plan fees, clearance certificates, rental sign boards, tender documents and sales of Transnet houses ,etc. Municipality has been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

Operating grants and transfers totals R77million in the 2014/15 financial year and steadily increases to R94.4 million by 2015/16. Note that the year-on-year growth for the 2015/16 and 2016/17 financial year are 76 per cent and increase to 75 in the two outer years. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
RECEIPTS:									
Operating Transfers and Grants									
NationalGovernment:	**41 599**	**49 088**	**64 159**	**67 282**	**68 267**	**68 267**	**77 054**	**96 401**	**97 770**
Local Government Equitable Share	39 323	47 176	53 513	60 742	60 742	60 742	71 904	92 648	94 652
Finance Management	1 417	1 394	1 585	1 650	1 671	1 671	1 800	1 950	2 100
Municipal Systems Improvement	860	519	1 071	890	890	890	934	967	1 018
Integrated National Electrification Programme			1 895	–	3 105	3 105			
EPWP Incentive			1 366	1 000	1 323	1 323	1 316	–	–
Other transfers/grants [insert description]			4 728	3 000	536	536	1 100	836	
District Municipality:	**–**	**3 896**	**83**	**–**	**21**	**21**	**–**	**–**	**–**
mopani	–	3 896	83		21	21			
Total Operating Transfers and Grants	**41 599**	**52 984**	**64 242**	**67 282**	**68 288**	**68 288**	**77 054**	**96 401**	**97 770**
Capital Transfers and Grants									
National Government:	**14 986**	**30 280**	**27 885**	**28 647**	**28 647**	**28 647**	**25 309**	**26 046**	**27 062**
Municipal Infrastructure Grant (MIG)	14 986	30 280	27 885	28 647	28 647	28 647	25 309	26 046	27 062
Total Capital Transfers and Grants	**14 986**	**30 280**	**27 885**	**28 647**	**28 647**	**28 647**	**25 309**	**26 046**	**27 062**
TOTAL RECEIPTS OF TRANSFERS & GRANTS	**56 585**	**83 264**	**92 127**	**95 929**	**96 935**	**96 935**	**102 363**	**122 447**	**124 832**

Tariff-setting is a fundamental and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the Municipality.

Maruleng municipality has made changes on the tariff structure or revenue forgone based on the circular 72 of the MFMA. National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Maruleng Municipality has justified the budget in an excess of the 5.9 per cent.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of Municipality and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1. Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.
National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0, 73:1 the implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA). In addition to this rebate, a further 45% of the reduction on the market value of a property will be granted in terms of the Municipality's own Property Rates Policy;
- 65 per cent rebate will be granted on residential properties (including state owned residential properties but excluding sectional title scheme and residential properties in non private estate);
- 100 per cent rebate will be granted to residential properties in rural, informal settlement and registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not to exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
    - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
    - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
    - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
    - The property must be categorized as residential.

- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

- The Municipality does not have special rating; one levying rate is applied for all categories. The current levying rate is 0.0096 for 2014/2015

1.4.2. Sale of Water and Impact of Tariff Increases

South Africa faces similar challenges with regard to water supply as it did with Municipality, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2014.

Maruleng Municipality is not a water authority in terms of the Act but rendering the service on behalf of the District. The Municipality receives bulk water from the Department of Public Works. Public Works has not increased its water tariffs, which is 2.04 p/kl and will remain unchanged in the 2014/2015 financial year.

A tariff increase of 5.9 per cent from 1 July 2014 for water is proposed. This is based on the increase in the cost of other inputs.
A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 5 Proposed Water Tariffs

CATEGORY	CURRENT TARRIFF 2013/14	PROPOSED TARRIFF 2014/15
	Rand per kl	Rand per kl
RESIDENTIAL		
Water basic per household p/m	6.00	6.36
Water consumption p/kl	4.40	4.90
Business		
Water basic per household p/m	10.70	11.35
Water consumption p/kl	9.05	9.60

1.4.3. Sanitation and Impact of Tariff Increases

A tariff increase of 5.9 per cent for sanitation from 1 July 2014 is proposed. This is based on the input cost assumptions related to water.

Table 6 Comparison between current and proposed sanitation charges

CATEGORY	CURRENT TARRIFF 2013/14	PROPOSED TARRIFF 2014/14
	Rand per kl	Rand per kl
RESIDENTIAL		
Sewerage per dwelling p/m	50.50	53.50
NON RESIDENTIAL		
Sewerage per dwelling p/m	52.20	55.30

1.4.4. Waste Removal and Impact of Tariff Increases

The Municipality has a contract for waste removal for businesses and also have employees who collect refuse for residential areas.

The Municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The Municipality's landfill site is situated 55 km outside the collection areas.

A 5.9 per cent increase in the waste removal tariff is proposed from 1 July 2014. Higher increases will not be viable in 2014/15 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services.

The following table compares current and proposed amounts payable from 1 July 2014.

Table 7 Comparison between current and proposed waste removal fees

	CURRENT TARIFFS 2013/14	PROPOSED TARIFFS 2014/15
	WASTE REMOVAL	WASTE REMOVAL
Tariff per container per month or part of a month:	Per month (R)	Per month (R)
BUSINESS	**5318.30**	**5526.18**
6m container removed once a week	4174.64	4420.94
Wheel bins	1043.66	1105.24
PUBLIC WORKS	**171.60**	**181.72**
Domestics	43.24	45.79
Messe & Base	128.36	135.93
RESIDENTIAL	**1083.37**	**1147.28**
Refuse collection per unit	43.24	45.79
Refuse coupons per bakkie	128.36	135.93
Garden refuse and rubles - Full load	607.83	643.69
Garden refuse and rubles - Full load	303.94	321.87

1.4.5. Overall impact tariff increase on households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.

1.5. Operating Expenditure Framework

The Municipality's expenditure framework for the 2014/15 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of no budget no spending.
- The following table is a high level summary of the 2014/15 budget and MTREF (classified per main type of operating expenditure):

Table 8: Summary of operating expenditure by standard classification item

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Expenditure By Type									
Employee related costs	26 382	28 017	33 628	39 334	35 912	35 912	42 469	45 187	48 079
Remuneration of councillors	5 683	6 846	7 359	7 587	7 793	7 793	8 522	9 033	9 575
Debt impairment	3 357	3 589	1 705	3 686	3 686	3 686	3 700	3 918	6 073
Depreciation & asset impairment	4 609	8 241	26 737	5 792	30 000	30 000	33 000	34 947	54 168
Finance charges	35	41	65	74	74	74	78	83	128
Bulk purchases	402	459	605	632	890	890	900	953	1 477
Other materials	860	1 137	1 271	2 017	2 341	2 341	2 808	2 974	2 802
Contracted services	4 379	5 215	5 222	6 371	6 371	6 371	7 120	7 540	11 687
Transfers and grants	–	–	–	–	–	–	–	–	–
Other expenditure	15 037	27 094	20 032	25 007	25 480	25 480	32 027	32 690	49 354
Loss on disposal of PPE			871						
Total Expenditure	60 744	80 639	97 496	90 498	112 545	112 545	130 624	137 326	183 345

The budgeted allocation for employee related costs for the 2014/15 financial year totals R42.4 million, which equals 33 per cent of the total operating expenditure. The CPI for 2014/15 which is 5.9 has been taken in to consideration; the municipality has provided an increase of salaries and wages for 2014/15 of 6.79 per cent (5.79 per cent plus 1 per cent). In this regard,
Municipality provided for a 6.4 per cent (5.4 per cent plus 1 per cent) increase for the 2015/16 and 2016/17 financial period.
The Municipality has taken into consideration for vacant and critical positions and therefore made a provision for them. The budget has been made for critical positions like Directors (Corporate services and CFO) and also for the senior Managers.

A preliminary amount of R42.4 million has been included in the 2014/15 MTREF. It should be noted that the total financial implication could not be determined as the applicable municipal wage curve (representing equal pay for equal work at all municipalities in South Africa) has not been finalized.

The cost associated with the remuneration of councilors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling the Municipality's budget.

The provision of debt impairment was determined based on an annual collection rate of 4 per cent and the Debt Write-off Policy of the Municipality. For the 2014/15 financial year this amount equates to R3.7 million and escalates to R3.9 million by 2015/16. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption.

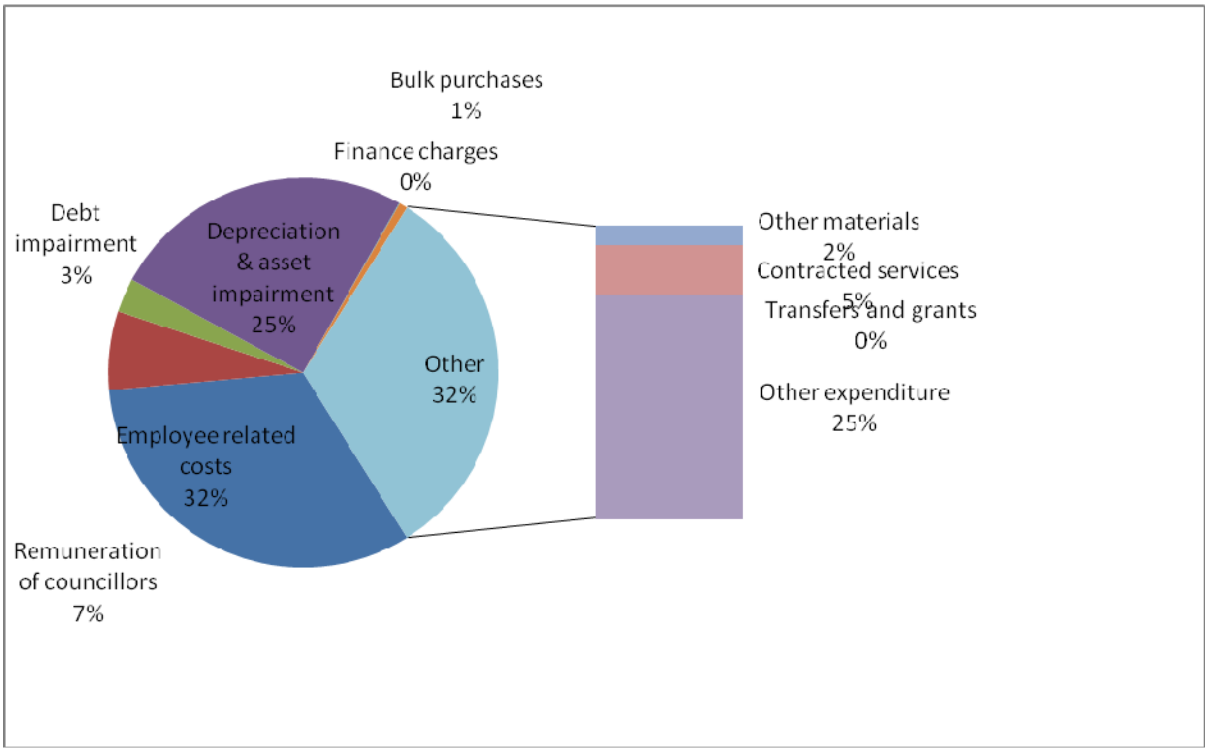
Bulk purchases are directly informed by free basic electricity. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures exclude distribution losses.

Other material comprises of amongst others the materials for maintenance and cleaning materials. For 2014/15 the appropriation for this group of expenditure totals R 2.8 million and equates 2.1 per cent of the total operating expenditure. The repairs and maintenance are done in house. The budget for repairs and maintenance are therefore be used for the purchasing of the materials.

Contracted services have been identified to render service on behalf of or to the Municipality. In the 2014/15 financial year budget for contracted services comprises of 7.1 million which was indirectly related to the rendering of refuse removal and security services. This group of expenditure has escalated to 7.5 million for 2015/16 financial period. This major increase was caused by an increase in the number of points were security services is needed and the distance between the landfill site and the municipal collection points. For the two outer years growth has been limited to 5.5 per cent and 6.4 percent respectively when comparing to total operating expenditure

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which cost savings and efficiencies can be achieved. An increase has been made to other expenditure by 25 per cent for 2013/14 and increased 2 per cent for 2014/15, indicating that significant cost savings have been already realized.

Table 9 the following table gives a breakdown of the main expenditure categories for the 2014/15 financial year.



1.6. Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:

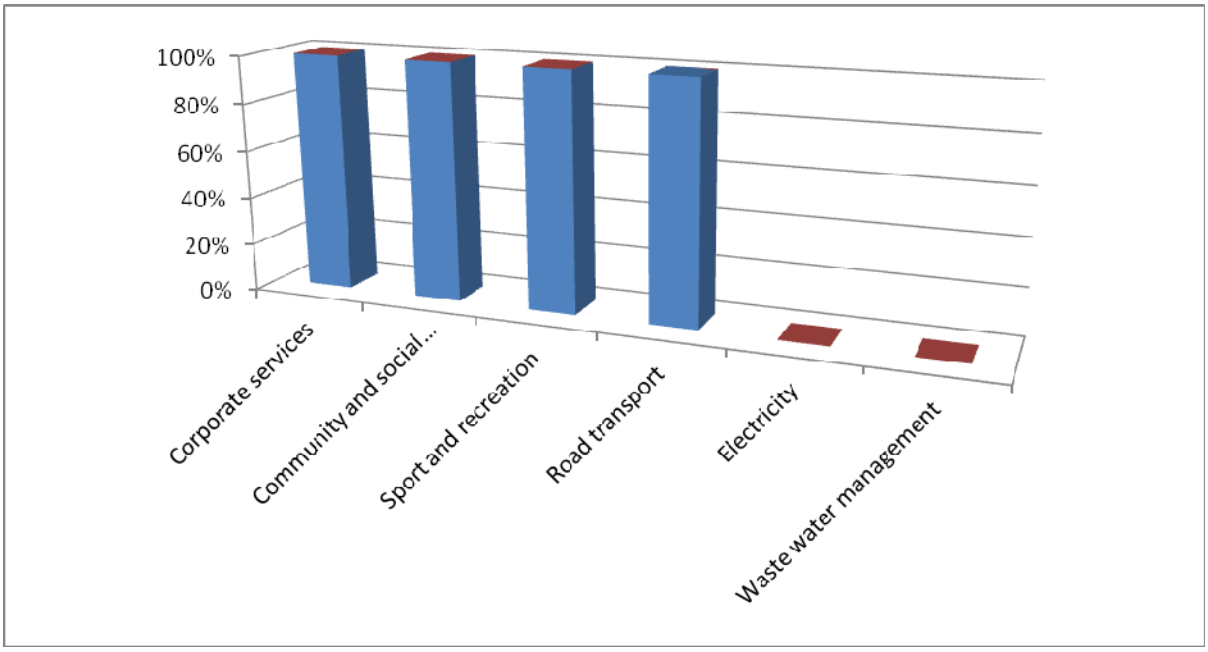
Table 09: 2014/15 Medium-term capital budget per vote

			2014/15 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	**%**	**Budget Year 2014/15**	**%**	**Budget Year +1 2015/16**	**%**	**Budget Year +2 2016/17**	**%**
Capital Expenditure - Standard								
Corporate services	6 304 490	15%	7 660 000	19%	7 750 000	22%	3 745 000	12%
Community and social services	1 533 000	4%	7 900 000	19%	5 300 000	15%	1 500 000	5%
Sport and recreation	8 734 130	20%	7 500 000	18%	5 954 000	17%	12 000 000	38%
Road transport	21 258 265	49%	17 709 000	43%	15 692 000	45%	14 200 000	45%
Electricity	3 104 644	7%	-	0%	-	0%	-	0%
Waste water management	2 498 881	6%	-	0%	-	0%	-	0%
Total Capital Expenditure - Standard	**43 433 410**	**100%**	**40 769 000**	**100%**	**34 696 000**	**100%**	**31 445 000**	**100%**

For 2014/15 an amount of R17.7 million has been appropriated for the development of Roads Transport which represents 43 per cent of the total capital budget. In the outer years this amount totals 15.6 million, 45 per cent and R14.2 million, 45 per cent respectively for each of the financial years.

Transport and roads receives the highest allocation for the year ended 2015 followed by community and social services with an amount of 7.9 million which is 19 percent of total capital expenditure

The following graph provide a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF



1.7 Annual Budget Tables - Parent Municipality

See attached copy Annual budget which represents the ten main budget tables (Table A1 to Table A10) as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2014/15 budget and MTREF as considered by the Council.

- ### Table A1 – Budget Summary

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).

2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.

3. Financial management reforms emphasize the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:

   a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
   b. Capital expenditure is balanced by capital funding sources, of which
      I. Transfers recognized are reflected on the Financial Performance Budget;
      II. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.

4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. This place the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2014/15, when a small surplus is reflected

5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery

backlogs. It is anticipated that by 2014/15 the water backlog will have been very nearly eliminated.

- ## Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms if each of these functional areas which enables the National Treasury to compile 'whole of government' reports.

2. The Total Revenue on this table includes capital revenues (Transfers recognized – capital) and so does not balance to the operating revenue shown on Table A4.

3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. Table 2 shows the surplus of R7.1 million for 2014/15 financial periods, this prove that the municipality follows section 18 of the MFMA.The municipality shows a surplus for all perspective years.

- **Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)**

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organizational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote.

- ## Table A4 - Budgeted Financial Performance (revenue and expenditure)

Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R112.5 million in 2014/15 and plummets to R127.6 million and R130 million for each of the respective years of the MTREF. This shows an increase of 22 per cent for the 2013/14 financial year and increase to 13 percent and 2 percent for each of the respective years.
2. Revenue to be generated from property rates is R13.3 million in the 2014/15 financial year and increases to R14.1 million by 2015/16 which represents 14 per cent of the operating revenue base of the municipality and therefore remains a significant funding source for the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 5.9 per cent, 5.5 per cent and 5.5 per cent for each of the respective financial years of the MTREF.

3. Other revenue like town planning fees, building plans, clearance certificates, income from Transnet houses, etc constitutes the biggest component of the revenue basket of the municipality totaling R11.4 million for the 2014/15 financial year and decreased to R5.9 million by 2015/16. For the 2015/16 financial year other revenue decline by 5 percent in

the outers years. Included in the other revenue item there is an amount for accumulated surplus which is R5.8 million for 2014/15 financial year which will be used to fund other capital projects.

4. Transfers recognized – operating includes the local government equitable share and other operating grants from national and provincial government. The grants receipts from national government are growing rapidly over the MTREF by 13 per cent for 2014/15 financial period and 25 per cent and1.8 percent for the two outer years when compared to the operating grants for previous years.

5. Bulk purchases have significantly increased over the 2014/15 to 2016/17 period escalating from R890 thousands to R1.4 m .

6. Employee related costs and bulk purchases are the main cost drivers within the municipality

- **Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

  Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. In relation to multi-year appropriations, for 2014/15 R40.7 million has been allocated for capital expenditure which decreased by 6.1 per cent when compares to 2013/14. This allocation plummets to R31.4 million in 2016/17 financial year

3. The capital programme is funded from capital and provincial grants and transfers and internally generated funds from current year surpluses. For 2014/15 capital funds transfers by national government is R26.4 million and escalates to R24.5 and 27.6 million for the two outer years

- **Table A6 - Budgeted Financial Position**
  Explanatory notes to Table A6 - Budgeted Financial Position

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).

2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

3. Table A6 is supported by an extensive table of notes SA3 which providing a detailed analysis of the major components of a number of items, including:
    - Call investments deposits;
    - Consumer debtors;
    - Property, plant and equipment;
    - Trade and other payables;
    - Provisions noncurrent;
    - Changes in net assets; and
    - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.

5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table A7 - Budgeted Cash Flow Statement

- **Explanatory notes to Table A7 - Budgeted Cash Flow Statement**

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.

2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

3. The 2014/15 MTREF has been informed by the planning principle of ensuring adequate cash reserves over the medium-term.

4. Cash and cash equivalents totals R973 k as at the end of the 2014/15 financial year and escalates to R16.4 million by 2016/17 financial period. The cash flow statement shows the positive movement from 2009/10 to 2016/17

Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

- **Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.

2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.

3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded". The municipality shows the positive movement for all the years.

4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.

5. Considering the requirements of section 18 of the MFMA, it can be shown that municipality has funded all the projects by having the positive cash

6. As part of the budgeting and planning guidelines that informed the compilation of the 2014/15 MTREF the end objective of the medium-term framework was to ensure the budget is funded aligned to section 18 of the MFMA.

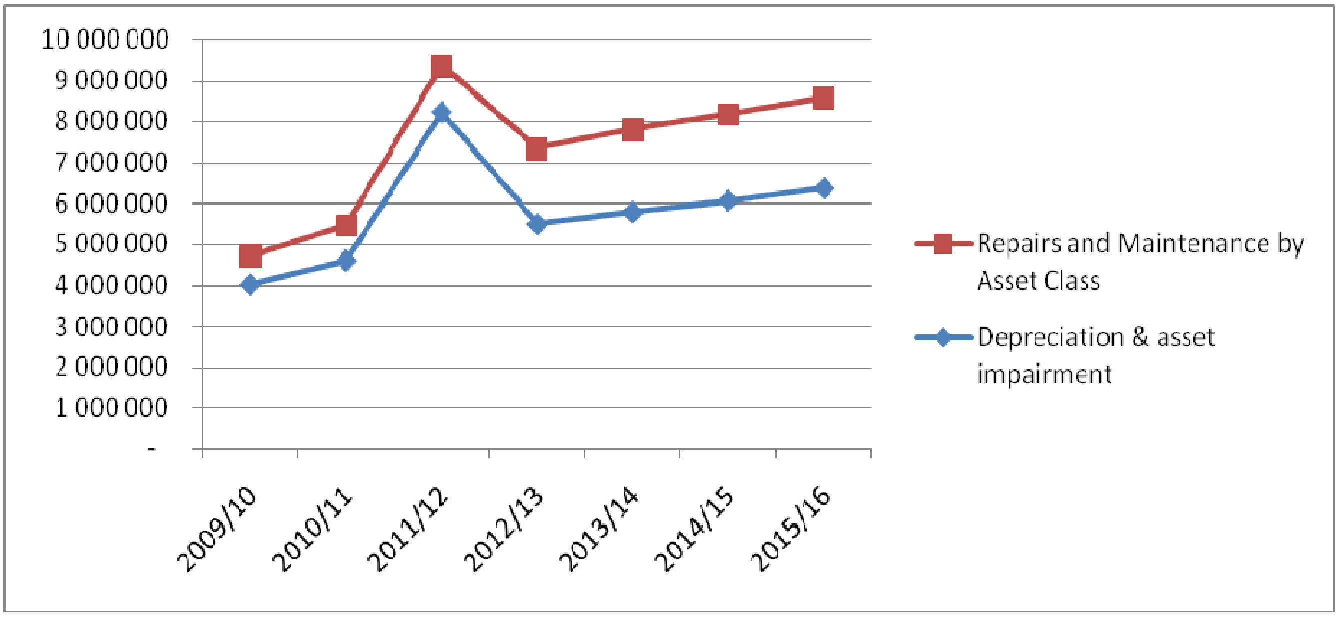
- **Table A9 - Asset Management**

Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.

2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The repairs and maintenance are done In house.

3. The following graph provides an analysis between depreciation and operational repairs and maintenance over the MTREF. It highlights the Municipality's strategy to address the maintenance backlog



- **Table A10 - Basic Service Delivery Measurement**
  Explanatory notes to Table A10 - Basic Service Delivery Measurement (see attached document)

  1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

  - **Water**- About 20 102 (82.14%) households have access to water while 4 368 households have no access at all But in terms of RDP water standard only 16 662 households which constitutes 68.09% have access to water .
  - The main challenge is bulk water supply but Mopani District Municipality which is the WSA is currently construction water purification plant which will carter almost all villages and major developments

  - **Sanitation**- About 22 983 (93,9 %) households have access to basic sanitation currently the MDM has built about 7 362 units for sanitation the backlog is estimated at about 1 487 units

  - **Electricity**- About 22 166 (90.58%) households have access to electricity. ESKOM is currently completing 511 units .The municipality will electrify 400 units in the 2012/13 financial year and 800 units in 2013/14 through INEP grant. However, it must be noted that all villages have electricity the backlog is only on extensions and post connection, most of the community are using electricity for lighting, 16 575 (67.7%) households use wood which is environmental hazard

  - **Refuse removal**-Only 1 666 households (6.8%) have access to refuse removal. Refuse removal is mainly done in urban areas. The municipality has only 1 licensed landfill site which is 55 case from municipal offices

- The municipality has a total of 563.2km road network, 321.79 km road tarred which constitutes 51.13%, and most strategic roads are tarred.
- There are 62 schools (39 primaries, 22 secondary & 1 combined) 66 classrooms are needed (backlog), 15 ABET Centers and 2012 Grade 12 pass rate was at 41.7%

- Indigent register- the municipality has adopted policy and register.
- The register facilitates the provision of free basic services; the updated indigents register has about 8249 households as beneficiaries.

PART 2 – SUPPORTING DOCUMENTATION

2.1 Overview of the Annual Budget Process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee are to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the Municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- That the various spending priorities of the different municipal departments are properly evaluated and prioritized in the allocation of resources.

2.1.1 BUDGET PROCESS OVERVIEW

Table 20 The table below shows the phases/stages of the IDP process and activities entailed for the Review of 2013/14 IDP.

TABLE 1: PHASES OF THE IDP PROCESS	
IDP PHASES	**ACTIVITIES**
PREPARATORY **May-July 2013**	▪ Identification and establishment of stakeholders and or structures and sources of information ▪ Development of the IDP Process Plan
ANALYSIS PHASE **August- September 2013**	▪ Compilation of levels of development and backlogs that suggest areas of interventions
STRATEGIES PHASE **October-November 2013**	▪ Reviewing the Vision, Mission, Strategies and objectives
PROJECT PHASE	▪ Identification of possible projects and their funding sources

January 2014	
INTEGRATION PHASE **January 2014**	▪ Sector Plans summary inclusion and programmes of action
APPROVAL PHASE **March-May 2014**	▪ Submission of Draft IDP to Council ▪ Road-show on Public Participation and publication ▪ Amendments of draft IDP/Budget according to comments/inputs received ▪ Submission to Council for Final ▪ Approval and adoption by Council

STRUCTURES THAT MANAGE/ DRIVE THE IDP

The following structures will be responsible to develop, implement and monitor the IDP/Budget of MLM. Municipal Manager with the assistance of the IDP Manager shall facilitate all IDP activities.

TABLE 2: STRUCTURES THAT MANAGE/DRIVE THE IDP PROCESS		
STRUCTURE	**COMPOSITION**	**ROLE**
Council	Members of Council **(chair: Speaker)**	Approve/adopt IDP and Budget
Executive Committee	Mayor, Portfolio Heads and members of the Management Committee **(chair: Mayor**)	▪ Political oversight ▪ Assign responsibilities to Municipal Manager ▪ Submit draft IDP to Council
IDP Representative Forum	Government Departments, Ward Committee Members, CDWS, Traditional Leaders, CBOs, SOEs, Associations, Interest groups, Resource persons and Members of Council **(chair: Mayor)**	▪ Represent interests of their constituencies ▪ Debate and confirm priorities of the municipality ▪ Monitor the performance of the planning and implementation processes
IDP Steering Committee	**IDP Steering Committee** -MM, Directors and Sectional Heads **(chair: Municipal Manager**)	▪ Compilation and implementation of the IDP ▪ Provide technical expertise and support

	Budget Committee CFO, Directors, MM ,Internal Auditor, IDP Manager & Portfolio Head of Budget, Treasury, Corporate Services & Administration (**chair: Portfolio Head of Budget, Treasury, Corporate Services & Administration)**	▪ Budgetary processes of the municipality
Cluster Technical Committee (Local Managers Forum)	**Consists of:** ▪ Municipal Directors ▪ Managers of local Sector Departments & SOEs ▪ IDP Manager **(chair: Municipal Manager)**	▪ Alignment, coordination and integration
Performance Audit Committee	▪ Members of the Audit Committee ▪ Internal Auditor **(chair: Chairperson of Performance Audit Committee)**	▪ IDP/Budget/Performance monitoring
Ward Committees	All Ward Committees (Chair: **Ward Councillors**)	▪ Link the planning process to their wards ▪ Assist in public consultation and participation
MPAC	All MPAC Members	▪ Oversight role on behalf of Council
COGHSTA	MEC for COGHSTA	▪ Assess/Evaluate the IDP, comment and monitor its implementation

2.2 OVERVIEW OF THE ALIGNMENT OF ANNUAL BUDGET WITH IDP

PUBLIC PARTICIPATION

One of the main features about the integrated development planning process is the involvement of community and stakeholder organizations in the process. Participation of the affected and interested parties ensures that the IDP addresses the real issues that are experienced by the citizens of the municipality. The municipality will therefore:

- Conduct stakeholder identification exercise
- Ensure that the IDP representative Forum is the core structure that will provide direct representation of stakeholders in driving the IDP process
- Ensure that every phase of the planning process should allow public debates, recommendations and/or decisions that will guide the Council in its independent decision-making platform
- Arrange IDP meetings at a convenient venue and time
- Ensure participation of marginalized groupings

MONITORING AND EVALUATION OF THE PROCESS PLAN

Maruleng Local Municipality will be responsible for monitoring its own IDP/Budget Process Plan and ensure that is being followed as approved. The municipal IDP office must check and report compliance to intergovernmental structures and the District municipality for support interventions. This process will also be linked to the SDBIP reporting cycle as adopted by the Ma

2.2. MONITORING AND EVALUATION OF THE PROCESS PLAN

Maruleng Local Municipality will be responsible for monitoring its own IDP/Budget Process Plan and ensure that is being followed as approved. The municipal IDP office must check and report compliance to intergovernmental structures and the District municipality for support interventions. This process will also be linked to the SDBIP reporting cycle as adopted by the Mayor.

The 2013/14 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure

Table 21 Reconciliation of IDP strategic objectives and budget (revenue)

Strategic Objective R thousand	Goal	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Municipal Transformation and organisational development	Create and informed community and Develop and retain skilled and capacitated workforce	50 998	47 176	55 247	60 930	50 885	50 885	73 776	94 674	96 832
Basic Service delivery	Improve community wellbeing and resource manage infrastructure and service for access and mobility	2 391	42 882	38 572	43 580	43 580	43 580	30 202	30 881	31 277
LED	Grow the economy and halve unemployment and develop partnership	4 335	1 575	1 738	1 158	1 158	1 158	1 959	677	714
Municipal Financial Vialibility and Management	Become financially viable	4 133	6 431	16 222	15 672	15 672	15 672	30 952	26 480	27 904
Good Governance and Public Participation	Effective and efficient organisation	14 986	3 845	1 071	9 709	9 709	9 709	934	967	1 018
Allocations to other priorities										
Total Revenue (excluding capital transfers and contributions)		76 844	101 909	112 850	131 047	121 003	121 003	137 823	153 679	157 744

Table 22: Reconciliation between the IDP strategic objectives and budgeted operating expenditure

Strategic Objective R thousand	Goal	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Municipal Transformation and organisational development	Create,inform community and Develop retain skilled capacitated workforce	18 409	34 967	287	49 920	65 596	65 596	1 829	1 937	3 002
Basic Service delivery	Improve community wellbeing and resource manage infrastructure and service for access and mobility	4 781	1 137	9 100	2 017	5 057	5 057	13 473	14 268	20 308
LED	Grow the economy and halve unemployment and develop partnership	2 946	1 885	840	1 000	1 000	1 000	5 886	4 998	7 748
Municipal Financial Vialibility and Management	Become financially viable	30 031	38 558	84 245	31 003	33 659	33 659	107 851	114 444	149 685
Good Governance and Public Participation	Effective and efficient organisation	4 577	4 092	3 024	6 556	7 232	7 232	1 585	1 678	2 601
Allocations to other priorities										
Total Expenditure		60 744	80 639	97 496	90 498	112 545	112 545	130 624	137 326	183 345

Table 23 Reconciliation between the IDP strategic objectives and budgeted capital expenditure

Strategic Objective R thousand	Goal	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Municipal Transformation and organisational development	Create and informed community and Develop and retain skilled and capacitated workforce	641	530	152	6 085	6 085	6 085	2 100	–	–
Basic Service delivery	Improve community wellbeing and resource manage infrastructure and service for access and mobility	13 024	25 866	29 325	28 677	32 368	32 368	31 609	27 596	27 700
LED	Grow the economy and halve unemployment and develop partnership		1 325		850	850	850	400		
Municipal Financial Viability and Management	Become financially viable	1 351	2 814	3 540	2 833	2 833	2 833	5 225	5 300	3 720
Good Governance and Public Participation	Effective and efficient organisation		699	1 667	1 297	1 297	1 297	1 435	1 800	25
Allocations to other priorities										
Total Capital Expenditure		15 016	31 234	34 685	39 742	43 433	43 433	40 769	34 696	31 445

2.3 Measurable Performance Objectives and Indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance

management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages.

Reporting in the monitoring process also involves giving feedback about the progress of the project to the donors, implementers and beneficiaries of the project.

The planning, budgeting and reporting cycle can be graphically illustrated as follows:

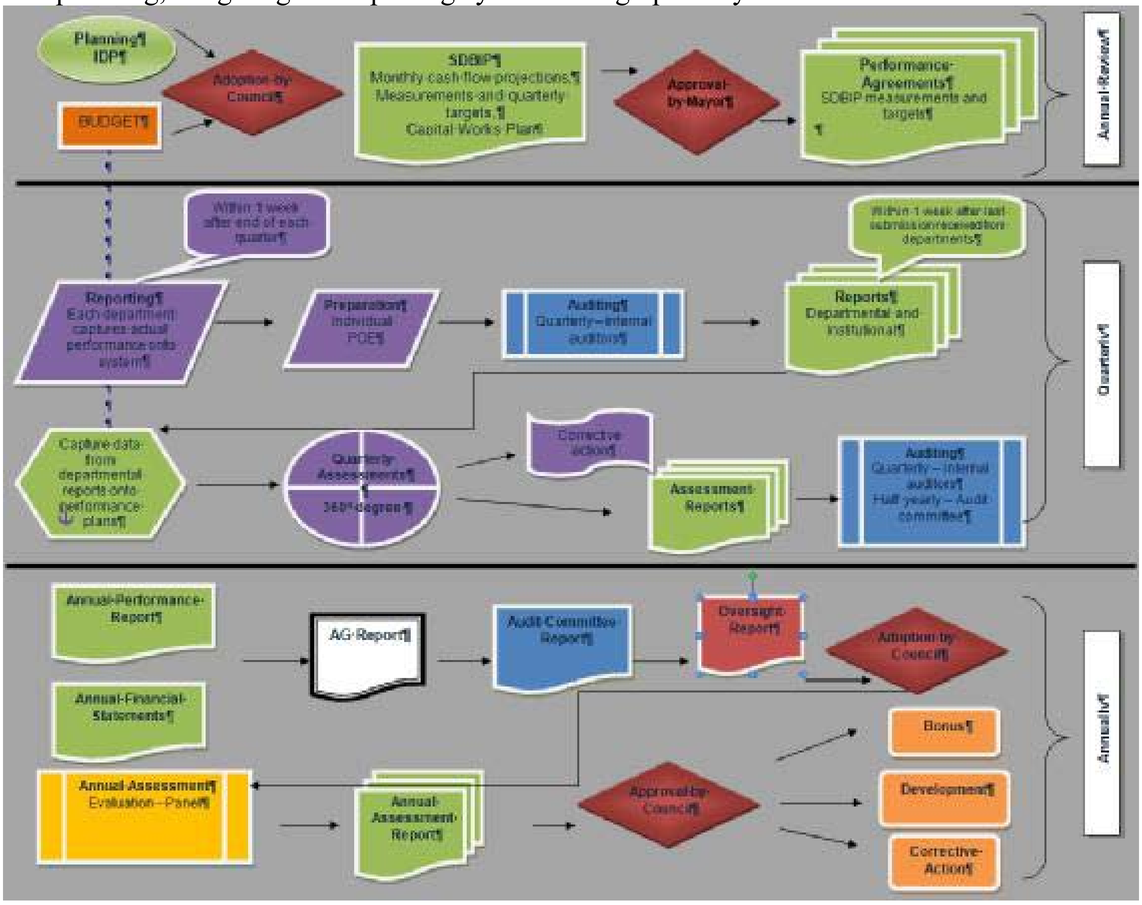


Figure 5 Planning, budgeting and reporting cycle

Monitoring is the regular observation and recording of activities taking place in a project or programme. Relevant data is gathered in an efficient and timely manner and in sufficient quantities to provide meaningful results after which it is processed to identify and categorize factors relevant to specific concerns. In monitoring, data should be analysed and the results displayed so that personnel can take appropriate actions.

Monitoring which involves a process of routinely gathering information on all aspects of the objective, programme or project has been operationalised within the Maruleng Local Municipality by making use of the SDBIP reporting to monitor quarterly progress towards targets as set out. Cascading the SDBIP further down to the departmental/sectional level will help Maruleng Local

Municipality to review performance quarterly and be able to take necessary steps to improve performance where performance targets are not met.

Assessment is a process of measuring or quantifying the level of attainment or competence within a specified domain whereby scores are attached to see how well the theme, objective, programmes or projects have been achieved. On the other hand evaluation is determining of value, or the measurement of value added. The municipality needs to determine whether, or not, the programme or project adds value or is contributing to the organisation's strategy.

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the ***Framework of Managing Programme Performance Information*** issued by the National Treasury:

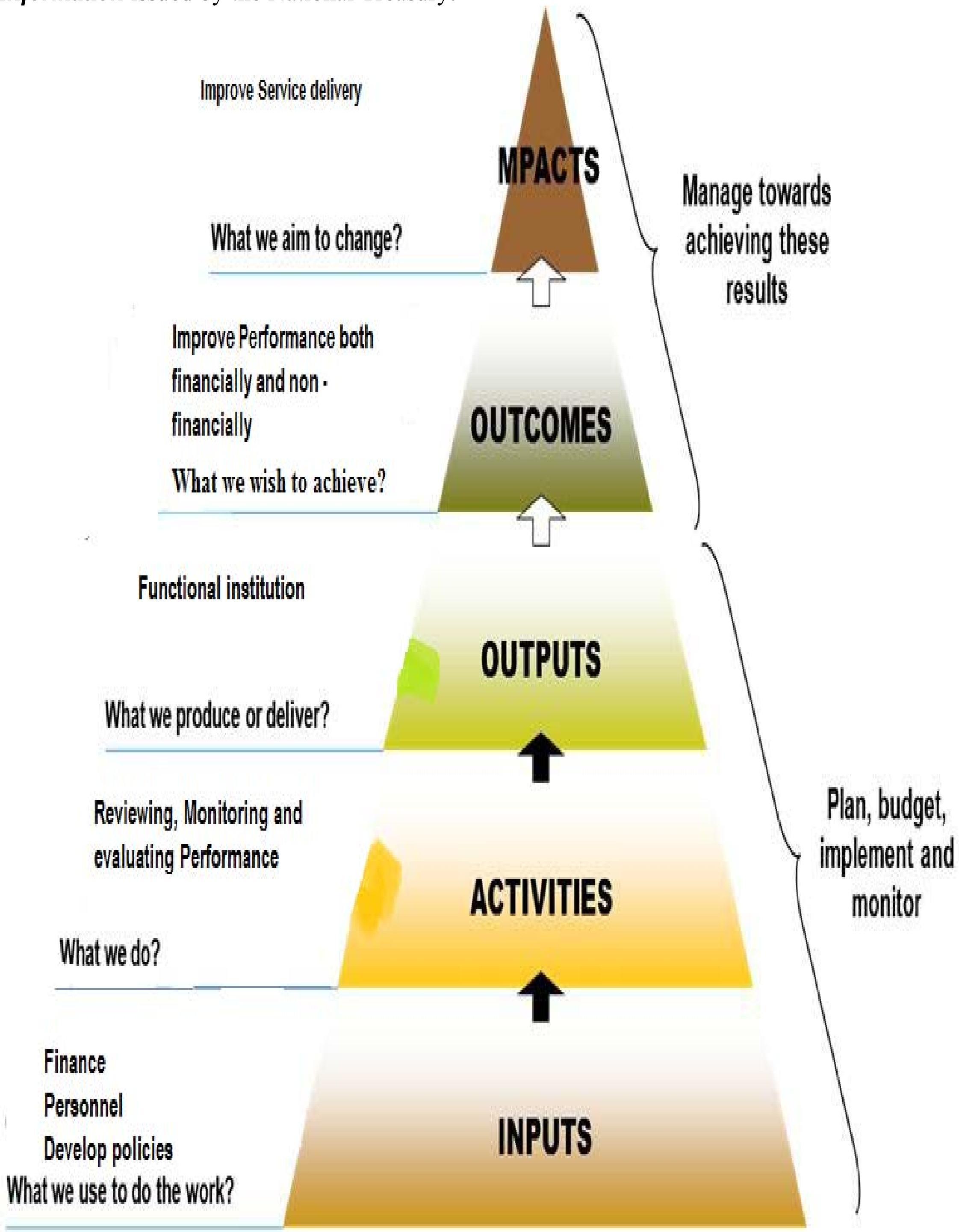


Figure 6 Definition of performance information concepts

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

Table 24: MBRR Table SA7 Measureable performance objectives

Description	Unit of measurement	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Reduce roads backlogs	Kilometer	5.0%	4.5%	4.0%	6.0%	5.0%	5.0%	30.0%	30.0%	30.0%
Sub-function - Roads maintained										
surfaced roads resurfaced/ rehabilitation	Kilometer	0.0%	0.0%	0.0%	4.0%	2.0%	2.0%	0.0%	0.0%	0.0%
Sub-function - Roads for growth										
New roads to be constructed	Kilometer	5.0%	4.5%	6.0%	6.0%	8.0%	8.0%	30.0%	30.0%	30.0%
Function - Stormwater										
Sub-function - Reduction of backlog										
stormwater drainage to reduce backlogs	Kilometer	1.5%	1.0%	5.0%	1.0%	1.0%	1.0%	2.0%	2.0%	2.0%
Sub-function - Stormwater for growth										
Stormwater drainage to stimulate growth	Kilometer	0.0%	3.0%	21.0%	2.0%	2.0%	2.0%	2.0%	3.0%	4.0%
Public Works: water and sanitation										
Function - water										
Sub-function - Eradication of water backlogs										
Households provided with a water connection	Number	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
new bulk water pipeline	Meter	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
New Internal water pipelines	Meter	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Function - Maintance of water infrastructure										
upgrade and replace of internal water pipeline	Meter	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
household provided with a sanitation connection	Number	79.9%	79.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

New bulk sewer pipelines	Meter									
New internal sewer pipelines	Meter	15.0%	15.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

The following table sets out the municipalities main performance objectives and benchmarks for the 2014/15 MTREF.

Table 25: MBRR Table SA8 Performance indicators and benchmarks

Description of financial indicator	Basis of calculation	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Borrowing Management											
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	0.1%	0.1%	0.1%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	0.2%	0.2%	0.3%	0.2%	0.3%	0.3%	0.0%	0.2%	0.3%	0.4%
Borrowed funding of 'own' capital expenditure	Borrowing/Capital expenditure excl. transfers and grants and contributions	9.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Safety of Capital											
Gearing	Long Term Borrowing/ Funds & Reserves	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Liquidity											
Current Ratio	Current assets/current liabilities	2.3	3.2	3.5	6.7	17.8	17.8	–	7.1	11.6	17.4
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 days/current liabilities	2.3	3.2	3.5	6.7	17.8	17.8	–	7.1	11.6	17.4
Liquidity Ratio	Monetary Assets/Current Liabilities	1.5	1.7	2.0	2.3	11.2	11.2	–	4.9	8.1	13.0
Revenue Management											

Annual Debtors Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing		79.3%	83.2%	0.0%	91.6%	-11.1%	131.2%	0.0%	66.5%	89.7%
Current Debtors Collection Rate (Cash receipts % of Ratepayer & Other revenue)		79.3%	83.2%	0.0%	91.6%	-11.1%	131.2%	0.0%	66.5%	89.7%	81.2%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	21.7%	23.3%	26.3%	17.2%	18.2%	18.2%	0.0%	496.7%	473.1%	469.2%
<u>Creditors Management</u>											
Creditors System Efficiency	% of Creditors Paid Within Terms (within`MFMA' s 65(e))	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Creditors to Cash and Investments		25.8%	47.1%	51.6%	2.6%	-39.1%	2.0%	0.0%	688.9%	20.3%	16.4%
<u>Other Indicators</u>											
	Total Volume Losses (kW)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Total Cost of Losses (Rand '000)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Electricity Distribution Losses (2)	% Volume (units purchased and generated less units sold)/units purchased and generated	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Water Distribution Losses (2)	Total Volume Losses (kℓ)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Total Cost of Losses (Rand '000)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	% Volume (units purchased and generated less units sold)/units purchased and generated	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Employee costs	Employee costs/(Total Revenue - capital revenue)	42.6%	39.1%	39.6%	38.4%	38.9%	38.9%	0.0%	37.7%	35.4%	36.8%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	51.8%	48.7%	48.2%	45.8%	47.3%	47.3%		45.3%	42.5%	44.1%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	1.4%	1.6%	1.5%	2.0%	2.5%	2.5%		2.5%	2.3%	2.1%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	7.5%	11.6%	31.5%	5.7%	32.6%	32.6%	0.0%	29.4%	27.4%	41.5%

IDP regulation financial viability indicators	-										
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year)	20.9	–	21.7	85.9	85.9	85.9	–	23.2	19.4	20.5
ii.O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	114.4%	129.1%	158.3%	115.7%	109.3%	109.3%	0.0%	3404.6%	3490.1%	3362.6%
iii. Cost coverage	(Available cash + Investments)/monthly fixed operational expenditure	5.9	4.3	4.2	16.6	(0.8)	15.9	–	0.2	2.8	2.0

2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

- Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. Maruleng Municipality does not have long term borrowing.

2.3.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors and overdraft and tax provisions as a percentage of funds and reserves. The debt to equity ratio for the Municipality is 0%

2.3.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the Municipality has set a limit of 2, hence at no point in time should this ratio be less than 2. For the 2014/15 MTREF the current ratio is 0.1 and 0.1 for the two outer years of the MTREF.

- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2014/15 financial year the ratio is 2:1 and 1:8 in the 2015/16 financial year. This shows that the municipality will be able to funds their projects and operating expenditure without borrowings.

2.3.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive data cleansing and debt management strategy needs to been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, and credit control and debt collection.

2.3.1.5 Creditors Management

- The Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has had a favorable impact on supplier's perceptions of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders, as suppliers compete for the Municipality's business.

2.3.1.6 Other Indicators

- The Municipality does not distribute electricity to the public the function is carried out by Eskom. Employee costs as a percentage of operating revenue continues to increase over the MTREF. This is primarily due to the increase in vacancy rate and budget for salary disparity.
-

2.3.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. With the exception of water, only registered indigents qualify for the free basic services.

For the 2014/15 financial year 4 145 registered indigents have been provided for in the budget , In terms of the Municipality's indigent policy registered households are entitled to 6kℓ fee water, 6 kℓ sanitation and as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in MBRR A10 (Basic Service Delivery Measurement
Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

2.3.3 Providing clean water and managing waste water

The Municipality is not the Water Services Authority for the municipality in terms of the Water Services Act, 1997 but only acts as water services provider. Approximately 100 per cent of the Municipality's bulk water needs are provided by Department of Public Work in the form of purified water.

2.4 Overview of budget related-policies

The Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

2.4.1 Review of credit control and debt collection procedures/policies

- The Reviewed Collection Policy was applied by Council and still need to be adopted in May 2014, the policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the revisions included the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

- The 2014/15 MTREF has been prepared on the basis of achieving an average debtors' collection rate on current billings. In addition the collection of debt in excess of 90 days has

been prioritized as a relevant strategy in increasing the Municipality's cash levels. In addition,

2.4.2 Inventory and Asset Management Policy

- A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the Municipality's revenue base.

2.4.3 Budget and Virement Policy

- The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the Municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

2.4.4 Supply Chain Management Policy

- The Supply Chain Management Policy was reviewed and still need to be adopted by Council . An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on.

2.4.5 Cash Management and Investment Policy

- The Municipality's Cash Management and Investment Policy were reviewed by Council but still need to be adopted. The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and a cash equivalent required at any point in time and introduces time frames to achieve certain benchmarks.

2.4.6 Tariff Policies

- The Municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies envisaged to be compiled for ease of administration and implementation of the next two years.

2.4.7 Indigent Policies

- In terms of the Municipality's Indigent policy, Households with a total monthly gross income of R1 500,00 or less qualifies to a subsidy on property rates and services charges for sewerage and refuse removal and will additionally receive 6 kl of water per month free of charge.

2.5. Overview of budget assumptions

2.5.1 External factors

- Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the Municipality's finances.

2.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2014/15 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on Municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and The increase in the cost of remuneration. Employee related costs comprise 33per cent of total operating expenditure in the 2013/14 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget.
- The wage agreement SALGBC concluded by municipal union s Municipalities must take into account the multi-year Salary and Wage Collective Agreement for the period 1 July 2012 to 30 June 2015. The agreement provides for a wage increase based on the average CPI for the period 1 February 2012 until 31 January 2013, plus 1 per cent for the 2014/15 financial year.

2.5.3 Credit rating outlook

Table 26: Credit rating outlook

Security class	Currency	Rating	Previous Rating
Short term	Rand	Prime -1	Prime -1
Long term	Rand	Aa3	Aa3
Outlook	Rand	Negative	Negative

The rating definitions are:

- Short term : Prime – 1
- Short-Term Debt Ratings (maturities of less than one year)
- Prime-1 (highest quality)
- Long-term : Aa3
- Defined as high-grade. "Aa" rated are judged to be of high quality and are subject to very low credit risk.

2.5.4 Interest rates for borrowing and investment of funds

- The MFMA specifies that borrowing can only be utilized to fund capital or refinancing of borrowing in certain conditions. The Municipality does not have long term loans.

2.5.5 Collection rate for revenue services

- The base assumption is that tariff and rating increases will increase at a rate slightly higher that CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

- The rate of revenue collection is currently expressed as a percentage of annual billings. Cash flow is assumed to be 24 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only is considered a source of additional cash in-flow once the performance has been carefully monitored. The municipality is depending more on grants.

2.5.6 Growth or decline in tax base of the municipality

- Debtor's revenue is assumed to increase at a rate that is influenced by the consumer debtor's collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

- Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing "households" is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the "poor household limits consumption to the level of free basic service

2.5.7 Salary increases

- The collective agreement regarding salaries/wages came into operation on 1 July 2012 and shall remain in force until 30 June 2015. The municipality has make use of 6.79% for 2014/15 and 6.4% for 2015/16 and 2016/17 until the new agreement for three years(2015 to 2018 FY) has revised

2.5.8 Impact of national, provincial and local policies

- Integration of service delivery between national, provincial and local government is critical to ensure focused service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:
  - Creating jobs;
  - Enhancing education and skill development;
  - Improving Health services;
  - Rural development and agriculture; and
  - Fighting crime and corruption.
- To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.5.9 Ability of the municipality to spend and deliver on the programmes

- It is estimated that a spending rate of at least 98 per cent is achieved on operating expenditure and 100 per cent on the capital programme for the 2014/15 MTREF of which performance has been factored into the cash flow budget.

2.6 Overview of budget funding

2.6.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

TABLE 27- Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2014/15 Medium Term Revenue & Expenditure Framework							
	Adjusted Budget	%	Budget Year 2014/15	%	Budget Year +1 2015/16	%	Budget Year +2 2016/17	%
Revenue By Source								
Property rates	12 612 000	14%	13 393 944	12%	14 117 217	11%	14 879 547	11%
Service charges - refuse revenue	2 500 000	3%	2 655 000	2%	2 798 370	2%	2 949 482	2%
Rental of facilities and equipment	288 300	0%	364 657	0%	384 348	0%	405 103	0%
Interest earned - external investments	1 250 000	1%	1 327 500	1%	1 399 185	1%	1 474 741	1%
Interest earned - outstanding debtors	112 877	0%	119 876	0%	126 349	0%	133 172	0%
Fines	210 200	0%	220 000	0%	232 980	0%	245 561	0%
Agency services	4 190 900	5%	3 716 467	3%	3 886 886	3%	4 090 367	3%
Transfers recognised - operational	68 288 042	74%	77 054 000	68%	96 401 000	76%	97 770 000	75%
Other revenue	828 440	1%	11 458 803	10%	5 964 312	5%	6 286 455	5%
Gains on disposal of PPE	2 075 000	2%	2 203 650	2%	2 322 647	2%	2 448 070	2%
Total Revenue (excluding capital transfers and contributions)	92 355 759	100%	112 513 896	100%	127 633 295	100%	130 682 497	100%

Table 28-The following graph is a breakdown of the operational revenue per main category for the 2014/15 financial year.

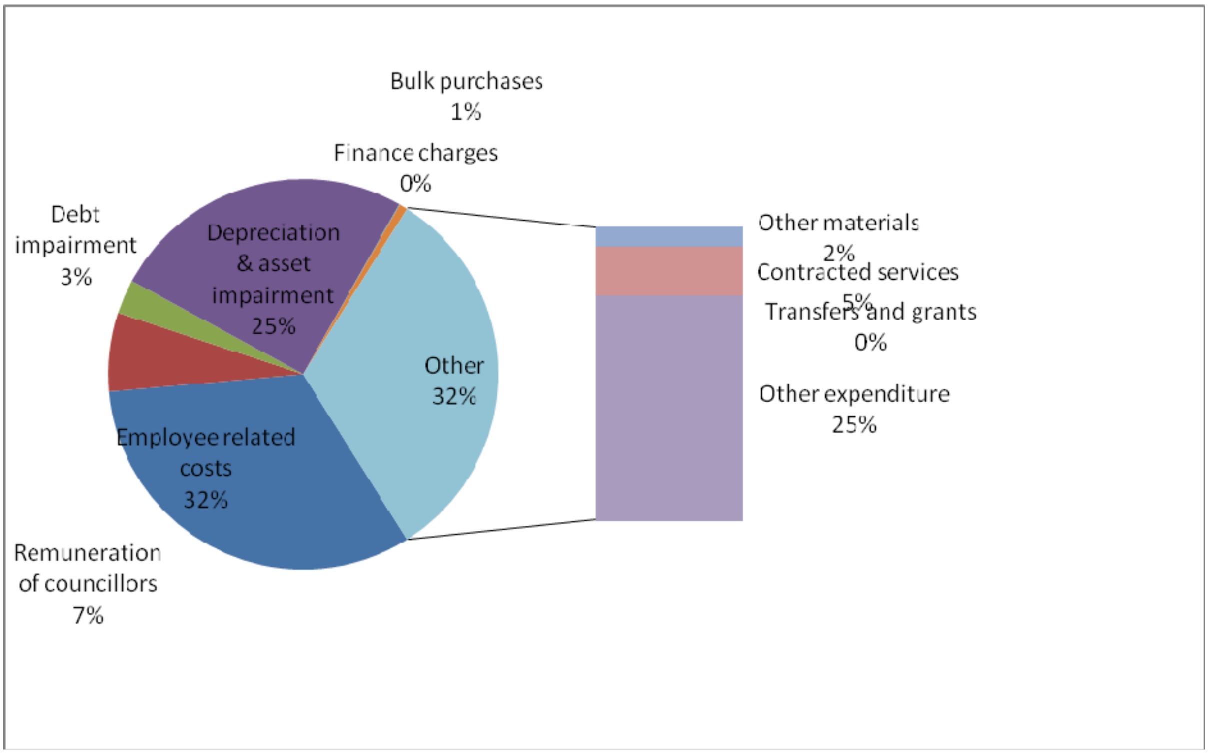


Figure 7 Breakdown of operating revenue over the 2014/15 MTREF

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The Municipality derives most of its operational revenue from the provision of goods and services such as sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the Municipality and economic development;
- Revenue management and enhancement;
- Achievement of annual collection rate for consumer revenue;
- National Treasury guidelines;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA),
- And the ability to extend new services and obtain cost recovery levels. The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2013/14 MTREF on the different revenue categories are:
Table 29- Proposed tariff increases over the medium-term

Revenue category	2014/15 proposed tariff increase	2015/16 proposed tariff increase	2016/17 proposed tariff increase	2013/14 Total Budgeted revenue
	%	%	%	%
Property rates Solid waste	5 .9	5.5	5.5	13 393 944 2 655 000
Total				16 048 944

Revenue to be generated from property rates is R13.3 million in the 2014/15 financial year and increases to R14.1 million by 2015/16 which represents 11 per cent of the operating revenue base of the Municipality. It remains relatively constant over the medium-term. With the implementation of the Municipal Property Rates Act the basis of rating significantly changed.

As the levying of property rates is considered strategic revenue source supplementary valuation process are conducted twice in a year, during December and June of every financial year.

Services charges relating to refuse removal constitutes the second smallest component of the revenue basket of the Municipality totaling R2.6 million for the 2014/15 financial year and increasing to R2.7 million by 2015/16. For the 2014/15 financial year services charges amount to 2 per cent of the total revenue base and grows by 1 per cent per annum over the medium-term.

Operational grants and subsidies amount to R67.2 million, R74.6 million and R95.7 million for each of the respective financial years of the MTREF, or 66, 70 and 77 per cent of operating revenue. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 4 per cent and 7 percent for the two outer years.

The tables below provide detail investment information and investment particulars by maturity.

Table 30- MBRR – Detail Investment Information

Investment type	2009/10	2010/11	2011/12	Current Year 2012/13			2013/14 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2013/14	Budget Year +1 2014/15	Budget Year +2 2015/16
Parent municipality									
Deposits - Bank	1 831 608	14 166 776	14 919 796	7 000 000	15 000 000	15 000 000	6 000 000	45 000 000	40 000 000
Municipality sub-total	1 831 608	14 166 776	14 919 796	7 000 000	15 000 000	15 000 000	6 000 000	45 000 000	40 000 000

Table 31- MBRR – Investment particulars by maturity

Investments by Maturity	Period of Investment	Type of Investment	Capital Guarantee (Yes/ No)	Variable or Fixed interest rate	Interest Rate 3.	Expiry date of investment	Opening balance	Interest to be realised	Closing Balance
Name of institution & investment ID	Yrs/Months								
Parent municipality Standard bank investment	Months	call deposit	no	variable	4.25	32 days	2 187 281	92 959	2 280 241
Investec investmnet	Months	call deposit	no	variable	5.4	day to day	23 786 889	1 010 943	24 797 831
Municipality sub-total							25 974 170		27 078 072
TOTAL INVESTMENTS AND INTEREST							25 974 170		27 078 072

For the medium-term, the funding strategy has been informed directly by ensuring financial sustainability and continuity.

2.6.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2014/15 medium-term capital programme:

Table 32- Sources of capital revenue over the MTREF

Vote Description			2014/15 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2014/15	%	Budget Year +1 2015/16	%	Budget Year +2 2016/17	%
Funded by:								
National Government	31 751 644	73%	26 409 000	65%	26 882 000	77%	27 062 000	86%
Internally generated funds	11 681 766	27%	14 360 000	35%	7 814 000	23%	4 383 000	14%
Total Capital Funding	43 433 410	100%	40 769 000	100%	34 696 000	100%	31 445 000	100%

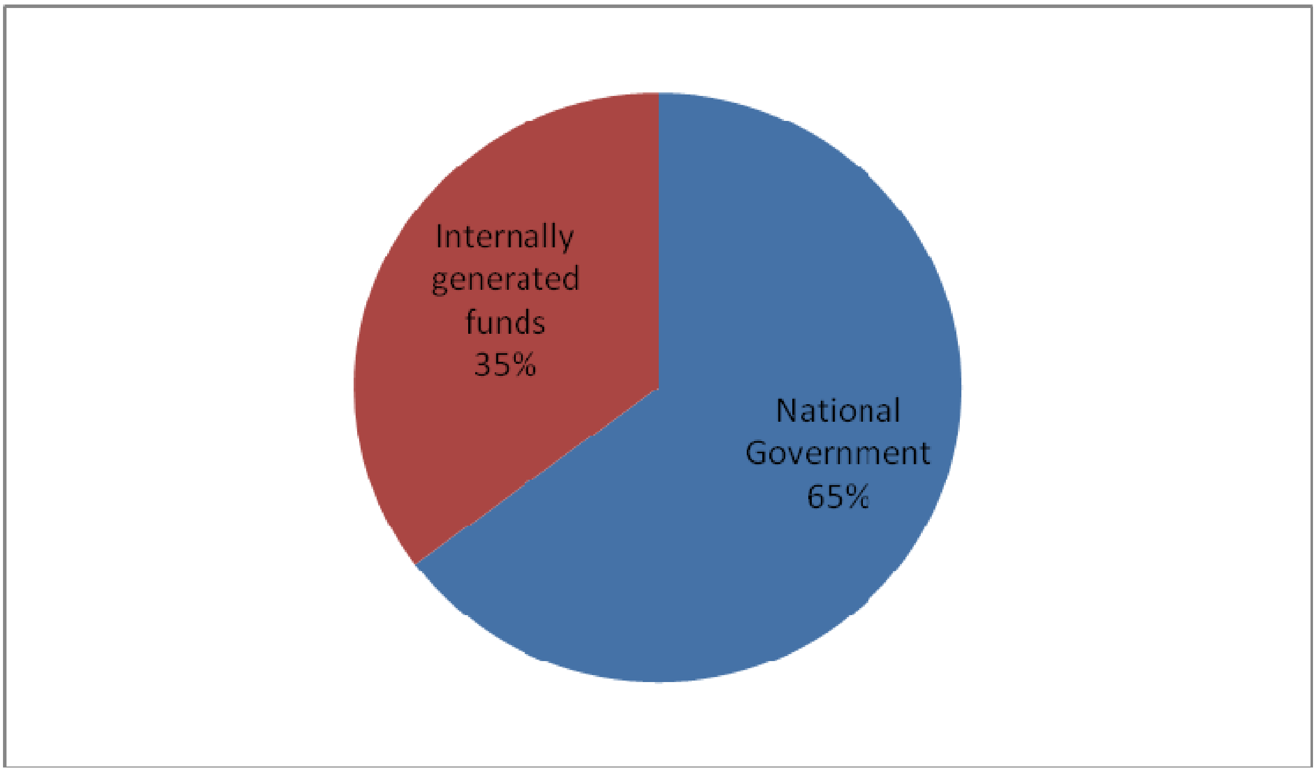


Figure 8 Sources of capital revenue for the 2014/15 financial year

Capital grants and receipts equates to 65 per cent of the total funding source which represents R40.7 million for the 2014/15 financial year and steadily decreased to R34.6 million or 77 per cent by 2015/16. Growth relating to internally generated funds receipts is 35, 23 and 14 per cent over the medium-term.

Table 33-MBRR Capital transfers and grant receipts

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
RECEIPTS: National Government:	14 985 753	30 279 670	27 885 010	28 647 000	28 647 000	28 647 000	25 309 000	26 046 000	27 062 000
Municipal Infrastructure Grant (MIG)	14 985 753	30 279 670	27 885 010	28 647 000	28 647 000	28 647 000	25 309 000	26 046 000	27 062 000
Total Capital Transfers and Grants	14 985 753	30 279 670	27 885 010	28 647 000	28 647 000	28 647 000	25 309 000	26 046 000	27 062 000

2.6.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councilors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from “Ratepayers and other to be provided for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue,

Table 34- MBRR - Table A7 Budgeted Cash Flows

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and other	12 812	14 592	15 528	29 510	(2 305)	27 205	21 230	24 668	23 547
Government - operating	41 599	47 096	66 813	67 282	1 006	68 288	77 054	96 401	97 770
Government - capital	14 986	24 874	27 885	28 647	–	28 647	25 309	26 046	27 062
Interest	569	970	1 247	954	409	1 363	1 447	1 526	1 608
Payments									
Suppliers and employees	(47 408)	(66 368)	(66 944)				(93 924)	(98 461)	(123 104)
Finance charges	537	(41)	(65)				(78)	(83)	(128)
NET CASH FROM/(USED) OPERATING ACTIVITIES	23 094	21 123	44 464	126 392	(890)	125 502	31 038	50 098	26 755
CASH FLOWS FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE	4 180			2 075		2 075	2 204	2 323	2 448

Payments									
Capital assets	(15 167)	(24 010)	(34 511)	(36 742)	(6 582)	(43 324)	(40 769)	(34 696)	(31 445)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(10 987)	(24 010)	(34 511)	(34 667)	(6 582)	(41 249)	(38 565)	(32 373)	(28 997)
CASH FLOWS FROM FINANCING ACTIVITIES									
Receipts									
Borrowing long term/refinancing	16		(265)						
Payments									
NET CASH FROM/(USED) FINANCING ACTIVITIES	16	–	(265)	–	–	–	–	–	–
NET INCREASE/ (DECREASE) IN CASH HELD	12 123	(2 886)	9 689	91 725	(7 472)	84 253	(7 527)	17 724	(2 242)
Cash/cash equivalents at the year begin:	10 613	22 736	19 850	3 000	3 000	3 000	8 500	973	18 697
Cash/cash equivalents at the year end:	22 736	19 850	29 539	94 725	(4 472)	87 253	973	18 697	16 455

- The above table shows that cash and cash equivalents of the Municipality has a positive cash flow movement from 2010/11 to 2016/17 by 16.5 million to 38.1 million. With the 2013/14 adjustments budget various cost efficiencies and savings had to be realized to ensure the Municipality could meet its operational expenditure commitments.
- In addition the Municipality undertook an extensive debt collection process to boost cash levels. These initiatives and interventions have translated into a positive cash position for the Municipality. For the 2014/15 MTREF the budget has been prepared to ensure high levels of cash and cash equivalents over the medium-term with cash levels anticipated to exceed R976 k by 2015/16.

2.6.4 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?

- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be "funded. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 35: cash backed reserve/ accumulated surplus reconciliation

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Cash and investments available									
Cash/cash equivalents at the year end	22 736	19 850	29 539	94 725	(4 472)	87 253	973	18 697	16 455
Other current investments > 90 days	0	–	0	(85 725)	32 972	(58 753)	34 587	16 003	24 145
Non current assets - Investments	–	–	–	–	–	–	–	–	–
Cash and investments available:	22 736	19 850	29 539	9 000	28 500	28 500	35 560	34 700	40 600
Application of cash and investments									
Unspent conditional transfers	9 098	1 171	3 742	–	–	–	–	–	–
Other working capital requirements	(4 753)	(4 533)	(7 392)	(13 656)	3 620	(20 324)	(364 865)	(537 613)	(495 323)
Reserves to be backed by cash/investments							5 800		
Total Application of cash and investments:	4 345	(3 362)	(3 650)	(13 656)	3 620	(20 324)	(359 065)	(537 613)	(495 323)
Surplus(shortfall)	18 391	23 212	33 189	22 656	24 880	48 824	394 625	572 313	535 923

From the above table it can be seen that the cash and investments available total R9 million in the 2013/14 financial year and progressively increase to R44.5 million by 2015/16, including the projected cash and cash equivalents as determined in the cash flow forecast.
The following is a breakdown of the application of this funding: the formula for the calculation of the cash and cash equivalent did not pick up the calculation clearly, therefore it is difficult to determine the specific amount

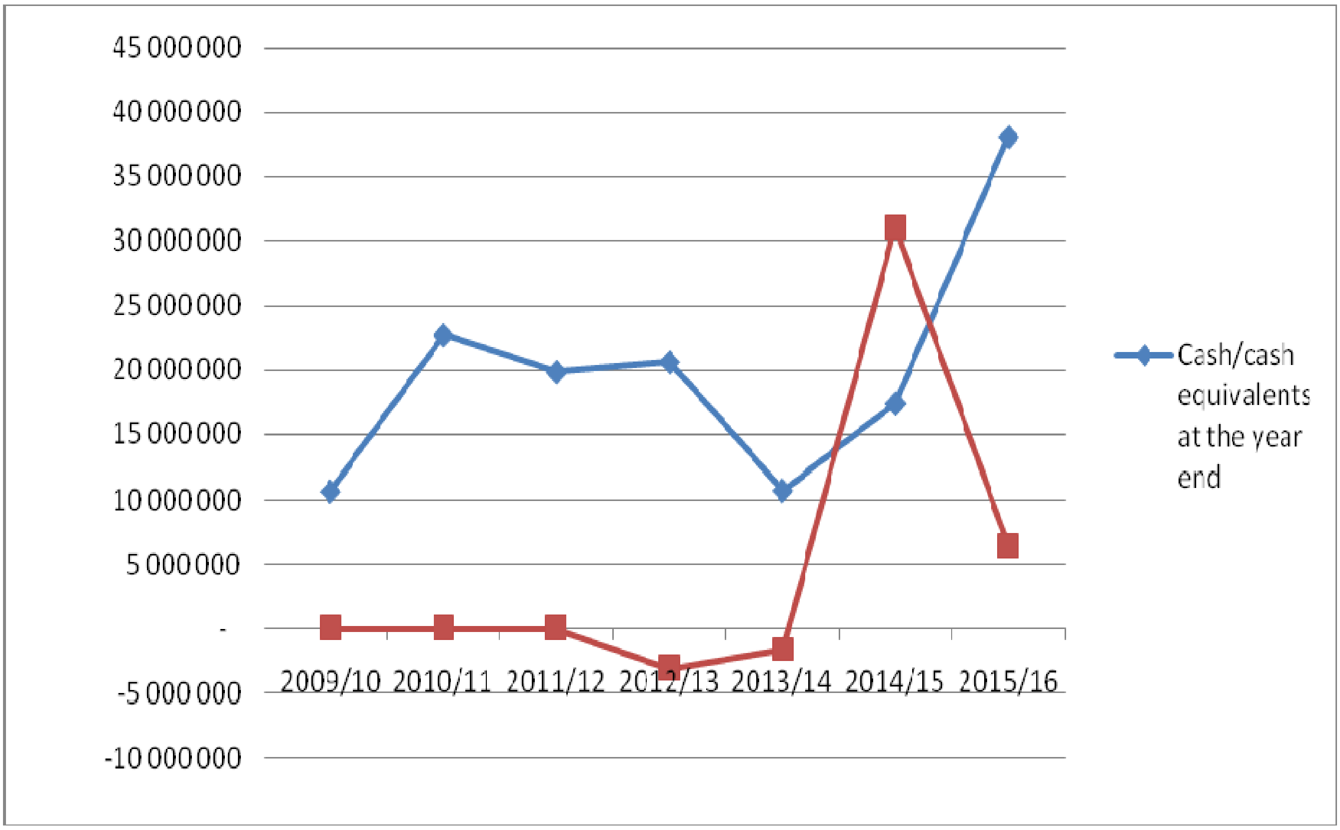
Unspent conditional transfers (grants) are automatically assumed to be an obligation as the municipality has received government transfers in advance of meeting the conditions. Ordinarily, unless there are special circumstances, the municipality is obligated to return unspent conditional grant funds to the national revenue fund at the end of the financial year.

- The main purpose of other working capital is to ensure that sufficient funds are available to meet obligations as they fall due. A key challenge is often the mismatch between the timing of receipts of funds from debtors and payments due to employees and creditors. High levels of debtor non-payment and receipt delays will have a greater requirement for working capital,
- For the purpose of the cash backed reserves and accumulated surplus reconciliation a provision equivalent to one month's operational expenditure has been provided for. It needs to be noted that although this can be considered prudent, the desired cash levels should be 60 days to ensure continued liquidity of the municipality. Any underperformance in relation to collections could place upward pressure on the ability of the Municipality to meet its creditor obligations.

Most reserve fund cash-backing is discretionary in nature, but the reserve funds are not available to support a budget unless they are cash-backed. The reserve funds are not fully cash-backed. The level of cash-backing is directly informed by the municipality's cash backing policy. These include the rehabilitation of landfill sites and quarries.

It can be concluded that the Municipality has a surplus against the cash backed and accumulated surpluses reconciliation.

The following graph supplies an analysis of the trends relating cash and cash equivalents and the cash backed reserves/accumulated funds reconciliation over a seven year perspective



2.6.5 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

T able 36: Funding compliance measurement

Description	MFMA section	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Funding measures	-										
Cash/cash equivalents at the year end - R'000	18(1)b	22 736	19 850	29 539	94 725	(4 472)	87 253	3 000	973	18 697	16 455
Cash + investments at the yr end less applications - R'000	18(1)b	18 391	23 212	33 189	22 656	24 880	48 824	–	394 625	572 313	535 923
Cash year end/monthly employee/supplier payments	18(1)b	5.9	4.3	6.2	16.6	(0.8)	15.9	–	0.2	2.8	2.0
Surplus/(Deficit) excluding depreciation offsets: R'000	18(1)	16 099	21 270	15 355	40 550	8 457	8 457	–	7 198	16 353	(25 600)
Service charge rev % change - macro CPIX target exclusive	18(1)a,(2)	N.A.	4.9%	3.9%	1.8%	(4.8%)	(6.0%)	(106.0%)	0.2%	(0.6%)	(0.6%)
Cash receipts % of Ratepayer & Other revenue	18(1)a,(2)	79.3%	83.2%	78.9%	91.6%	(11.1%)	131.2%	0.0%	66.5%	89.7%	81.2%
Debt impairment expense as a % of total billable revenue	18(1)a,(2)	28.7%	27.8%	12.1%	24.2%	23.9%	23.9%	0.0%	22.5%	22.6%	33.3%
Capital payments % of capital expenditure	18(1)c;19	101.0%	76.9%	99.5%	92.5%	15.2%	99.7%	0.0%	100.0%	100.0%	100.0%
Borrowing receipts % of capital expenditure (excl. transfers)	18(1)c	9.0%	0.0%	(3.9%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grants % of Govt. lgislated/gazetted allocations	18(1)a								100.0%	100.0%	100.0%
Current consumer debtors % change - incr(decr)	18(1)a	N.A.	24.5%	33.9%	(21.1%)	(4.5%)	0.0%	(100.0%)	(6.1%)	(8.9%)	(5.5%)
Long term receivables % change - incr(decr)	18(1)a	N.A.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
R&M % of Property Plant & Equipment	20(1)(vi)	0.9%	0.7%	0.4%	0.8%	0.6%	0.6%	0.0%	0.7%	0.7%	0.7%
Asset renewal % of capital budget	20(1)(vi)	0.0%	4.8%	14.2%	6.8%	6.2%	6.2%	0.0%	4.9%	1.0%	0.0%

2.6.5.1 Cash/cash equivalent position

- The Municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

- If the municipality's forecast cash position is negative, for any year of the medium term budget, the budget is very unlikely to meet MFMA requirements or be sustainable and could indicate a risk of non-compliance with section 45 of the MFMA which deals with the repayment of short term debt at the end of the financial year. The forecasted cash and cash

equivalents for the 2014/15 MTREF shows R973 million, R18.6 million and R16.4 million for each respective financial year.

2.6.5.2 Cash plus investments less application of funds

- The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 24; the reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

2.6.5.3 Monthly average payments covered by cash or cash equivalents

- The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. Notably, the ratio has been increasing significantly for the period 2014/15 to 2016/17, moving from 0.2 to 2.. As indicated above the Municipality aims to achieve at least one month’s cash coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

2.6.5.4 Surplus/deficit excluding depreciation offsets

- The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An adjusted surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2014/15 MTREF the indicative outcome is a surplus of R7.1 million and R16 million and R25 million for the two outer years. Which is affected by non cash items It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective

2.6.5.5 Property Rates/service charge revenue as a percentage increase less macro inflation target

- The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in revenue, which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.
- The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 0.9 per cent). The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage growth to 1.1 for the two respective years

2.6.5.6 Cash receipts as a percentage of ratepayers and other revenue

- This factor is a macro measure of the rate at which funds are „collected. This measure is intended to analyze the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 98.1 percent , In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure

and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly?

2.6.5.7 Debt impairment expense as a percentage of billable revenue

- This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 24.5, 22.6and 33.3 per cent over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is not well within the accepted leading practice.

2.6.5.8 Capital payments percentage of capital expenditure

- The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 2 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

2.6.5.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

- The purpose of this measurement is to determine the proportion of a municipality's „own-funded capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been be excluded. It can be seen that borrowing equates to 0 per cent of own funded capital. The municipality does not borrow money from external stakeholders

2.6.5.10 Transfers/grants revenue as a percentage of Government transfers/grants available

- The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

2.6.5.11 Consumer debtors change (Current and Non-current)

- The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the Municipality's policy of settling debtor's accounts within 30 day

2.6.5.12 Repairs and maintenance expenditure level

- This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the Municipality's strategy pertaining to asset management and repairs and maintenance are contained in MBRR SA34C

2.6.5.13 Asset renewal/rehabilitation expenditure level

- This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level

of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for „repairs and maintenance budgets.

2.7 Expenditure on grants and reconciliations of unspent funds

Table 37- MBRR Table SA19 Expenditure on transfers and grant programme

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
EXPENDITURE: Operating expenditure of Transfers and Grants									
National Government:	41 599	49 088	64 159	67 282	68 267	68 267	77 054	96 401	97 770
Local Government Equitable Share	39 323	47 176	53 513	60 742	60 742	60 742	71 904	92 648	94 652
Finance Management	1 417	519	1 585	1 650	1 671	1 671	1 800	1 950	2 100
Municipal Systems Improvement	860	1 394	1 071	890	890	890	934	967	1 018
Integrated National Electrification Programme			1 895	–	3 105	3 105			
EPWP Incentive			1 366	1 000	1 323	1 323	1 316	–	–
Municipal Drought Relief					–	–	1 100	836	
Other transfers/grants [insert description]			4 728	3 000	536	536			
District Municipality:	–	3 896	83	–	21	21	–	–	–
mopani		3 896	83		21	21			
Total operating expenditure of Transfers and Grants:	41 599	52 984	64 242	67 282	68 288	68 288	77 054	96 401	97 770
Capital expenditure of Transfers and Grants									
National Government:	14 986	30 280	27 885	28 647	28 647	28 647	25 309	26 046	27 062
Municipal Infrastructure Grant (MIG)	14 986	30 280	27 885	28 647	28 647	28 647	25 309	26 046	27 062
Total capital expenditure of Transfers and Grants	14 986	30 280	27 885	28 647	28 647	28 647	25 309	26 046	27 062
TOTAL EXPENDITURE OF TRANSFERS AND GRANTS	56 585	83 264	92 127	95 929	96 935	96 935	102 363	122 447	124 832

Table 38- MBRR SA20 - Reconciliation of transfers, grant receipts and unspent funds

Description	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Operating transfers and grants:									
Balance unspent at beginning of the year	1 011	901	545		3 721	3 721			
Current year receipts	41 323	48 732	67 335	67 282	64 546	64 546	77 054	96 401	97 770
Conditions met - transferred to revenue	41 599	49 088	64 159	67 282	68 267	68 267	77 054	96 401	97 770
Conditions still to be met - transferred to liabilities	734	545	3 721						
District Municipality:									
Balance unspent at beginning of the year		4 000	104		21	21			
Current year receipts	4 000								
Conditions met - transferred to revenue	–	3 896	83	–	21	21	–	–	–
Conditions still to be met - transferred to liabilities	4 000	104	21						
Other grant providers:									
Current year receipts	200								
Conditions still to be met - transferred to liabilities	200								
Total operating transfers and grants revenue	41 599	52 984	64 242	67 282	68 288	68 288	77 054	96 401	97 770
Total operating transfers and grants - CTBM	4 934	649	3 742	–	–	–	–	–	–
Capital transfers and grants:									
National Government:									
Balance unspent at beginning of the year	4 283	3 809	(3 060)						
Current year receipts	14 512	23 410	30 174	30 927	31 752	31 752	26 409	26 882	27 062
Conditions met - transferred to revenue	14 837	30 280	27 885	30 927	31 752	31 752	26 409	26 882	27 062
Conditions still to be met - transferred to liabilities	3 958	(3 060)	(771)						
Total capital transfers and grants revenue	14 837	30 280	27 885	30 927	31 752	31 752	26 409	26 882	27 062
Total capital transfers and grants - CTBM	3 958	(3 060)	(771)	–	–	–	–	–	–
TOTAL TRANSFERS AND GRANTS REVENUE	56 436	83 264	92 127	98 209	100 040	100 040	103 463	123 283	124 832
TOTAL TRANSFERS AND GRANTS - CTBM	8 892	(2 411)	2 971	–	–	–	–	–	–

2.8. Councillor and employee benefit

Table 39- MBRR SA22 - Summary councilor and staff benefits

Summary of Employee and Councillor remuneration	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Councillors (Political Office Bearers plus Other)									
Basic Salaries and Wages	3 365	4 145	4 530	4 390	4 560	4 560	4 987	5 287	5 604
Pension and UIF Contributions	639	731	797	774	799	799	894	948	1 004
Medical Aid Contributions	54	34	29	35	76	76	79	84	89
Motor Vehicle Allowance	1 338	1 596	1 632	1 860	1 771	1 771	1 915	2 030	2 152
Cellphone Allowance	287	340	372	480	522	522	597	633	671
Housing Allowances					–	–			
Other benefits and allowances				47	65	65	50	53	56
Sub Total - Councillors	5 683	6 846	7 359	7 587	7 793	7 793	8 522	9 033	9 575
% increase		20.5%	7.5%	3.1%	2.7%	–	9.4%	6.0%	6.0%
Senior Managers of the Municipality									
Basic Salaries and Wages	2 522	2 756	1 970	3 145	3 145	3 145	2 914	3 089	3 274
Pension and UIF C ntributions	55	692	555	819	819	819	782	828	878
Medical Aid Contributions	91	67	46	38	38	38	163	173	183
Overtime	1 040				–	–		–	–
Performance Bonus	400	379	179	408	408	408	861	912	967
Motor Vehicle Allowance		822	810	1 102	936	936	1 699	1 801	1 909
Cellphone Allowance		59	48	54	54	54	68	73	77
Housing Allowances	590				–	–		–	–
Other benefits and allowances		22	39	32	32	32	58	62	65
Payments in lieu of leave			445		–	–			
Long service awards					–	–			
Post-retirement benefit obligations					–	–			
Sub Total - Senior Managers of Municipality	4 698	4 798	4 093	5 596	5 430	5 430	6 546	6 938	7 355
% increase		2.1%	(14.7%)	36.7%	(3.0%)	–	20.5%	6.0%	6.0%
Other Municipal Staff									
Basic Salaries and Wages	13 688	15 619	18 752	23 572	20 949	20 949	24 371	25 942	27 615
Pension and UIF Contributions	3 553	3 501	3 783	5 142	4 494	4 494	5 446	5 798	6 172

Medical Aid Contributions	811	871	1 028	1 323	1 352	1 352	1 597	1 527	1 625
Overtime	1 374	435	781	460	490	490	570	606	645
Performance Bonus	405	1 261	1 485	1 835	1 710	1 710	1 945	2 247	2 394
Motor Vehicle Allowance	1 485	401	294	316	316	316	584	628	676
Cellphone Allowance	40	231	425	363	320	320	383	408	434
Housing Allowances	316	46	57	64	73	73	67	71	76
Other benefits and allowances		208		244	226	226	640	681	725
Payments in lieu of leave		507	214	300	420	420	300	319	340
Long service awards		139	957	118	133	133	21	22	24
Post-retirement benefit obligations			1 758		–	–			
Sub Total - Other Municipal Staff	21 672	23 219	29 535	33 738	30 482	30 482	35 924	38 249	40 725
% increase		7.1%	27.2%	14.2%	(9.7%)	–	17.9%	6.5%	6.5%
Total Parent Municipality	32 053	34 863	40 986	46 920	43 705	43 705	50 991	54 221	57 655

Table 40 MBRR SA23 - Salaries, allowances & benefits (political office bearers/councilors/senior managers)

Disclosure of Salaries, Allowances & Benefits 1. Rand per annum	Salary	Contributions 1.	Allowances	Performance Bonuses	Total Package 2.
Councillors					
Speaker	343 622	90 912	165 819		600 353
Chief Whip	343 531	64 058	156 838		564 428
Executive Mayor	401 923	140 852	201 860		744 635
Deputy Executive Mayor					-
Executive Committee	1 064 946	198 581	506 106		1 769 633
Total for all other councillors	2 934 899	502 648	1 405 520		4 843 068
Total Councillors	5 088 921	997 052	2 436 143		8 522 116
Senior Managers of the Municipality					
Municipal Manager (MM)	650 135	237 503	314 438	163 407	1 365 484
Chief Finance Officer	402 480	121 570	353 000	120 400	997 450
Director Technical services	591 933	212 766	136 740	128 808	1 070 247
Director SPED	426 029	176 092	327 540	127 624	1 057 285
Director Community Service	441 149	205 794	283 020	127 624	1 057 587
Director Corporate service	402 480	121 570	353 000	120 400	997 450
Total Senior Managers of the Municipality	2 914 206	1 075 294	1 767 738	788 264	6 545 502

Table 41-MBRR - SA24 Summary of personnel numbers

Summary of Personnel Numbers	2012/13			Current Year 2013/14			Budget Year 2014/15		
Number	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees	Positions	Permanent employees	Contract employees
Municipal Council and Boards of Municipal Entities									
Municipal employees									
Municipal Manager and Senior Managers	6	–	6	6	–	6	6	–	6
Other Managers	16	16	–	16	16	–	2	2	–
Professionals	*180*	*171*	*9*	*184*	*175*	*9*	*192*	*181*	*11*
Finance	22	19	3	22	19	3	22	19	3
Spatial/town planning	13	12	1	15	14	1	13	12	1
Information Technology	3	2	1	3	2	1	3	2	1
Roads	9	9	–	9	9	–	10	10	–
Electricity	2	2	–	2	2	–	2	2	–
Water	16	16	–	16	16	–	17	17	–
Sanitation							–	–	–
Refuse	8	8	–	8	8	–	8	8	–
Other	107	103	4	109	105	4	117	111	6
Technicians	–	–	–	–	–	–	–	–	–
TOTAL PERSONNEL NUMBERS	202	187	15	206	191	15	200	183	17
% increase				2.0%	2.1%	–	(2.9%)	(4.2%)	13.3%

2.9 Monthly targets for revenue, expenditure and cash flow

See attached copy of the Annual Budget for the following tables

- TABLE 42:MBRR SA25 - Budgeted monthly revenue and expenditure – see attached copy of the Annual Budget
- TABLE 43: MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)
- TABLE 44: MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)
- TABLE 45:MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)
- TABLE 46: MBRR SA29 - Budgeted monthly capital expenditure (standard classification)
- TABLE 47: MBRR SA30 - Budgeted monthly cash flow

2.10 Annual budgets and SDBIPs – internal departments

2.10.1 Water Services Department

Maruleng Municipality is not a water service authority

2.11 Contracts having future budgetary implications

In terms of the Municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

2.12 Capital expenditure details

See attached copy of the Annual Budget for the following tables

- TABLE 48:MBRR SA 34a – Capital expenditure on new assets by assets class
- TABLE 49:MBRR SA 34b – Capital Expenditure on the renewal of existing assets by assets class
- TABLE 50:MBRR SA 34c – Repairs and maintenance expenditure by assets class
- TABLE 51: MBRR SA34d- Depreciation by assets classification

- TABLE 52:MBRR SA 35 – Future financial implications of the capital budget
- TABLE 53 :MBRR SA 36 – Detailed capital budget per municipal vote
- TABLE 54: MBRR SA 37– Projects delayed from previous financial year

2.13 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. in year reporting
   - Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipality's website.

2. Internship programme
   - The Municipality is participating in the Municipal Financial Management Internship programme and has employed 5 interns undergoing training in various divisions of the Financial Services Department.

3. Budget and Treasury Office
   - The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee
   - A district shared Audit Committee has been established and is fully functional.

5. Service Delivery and Implementation Plan
   - The detail SDBIP document is at a draft stage and will be finalized after approval of the 2013/14 MTREF in May 2013 directly aligned and informed by the 2013/14 MTREF.

6. Annual Report
   - Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. MFMA Training
   - The MFMA training module in electronic format is presented at the Municipality's internal centre and training is ongoing.

8. Policies
   - An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009 was announced in Government Gazette 33016 on 12 March 2010. The ratios as prescribed in the Regulations have been complied with.

2.14 Other supporting documents

See attached copy of the Annual Budget for the following supporting tables

- TABLE 55: MBRR SA 1 – Supporting detail to budgeted financial performance

- TABLE 56: MBRR SA 2 – Matrix financial Performance budget (revenue source/expenditure type and department)
- TABLE 57: MBRR SA 3 – Supporting detail to statement of financial position
- TABLE 58: MBRR SA 9 – Social, economic and demographic statistics and assumptions
- TABLE 59: MBRR SA 32 – List of external mechanisms

2.15 Municipal manager's quality certificate

I ……………………………………………., municipal manager of Maruleng Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name ____

Municipal manager Maruleng Municipality

Signature ____

Date ______________________________